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In the
Supreme Court of the United States

October Term, 1973

No. 73-1529

THE GENERAL TIRE & RUBBER COMPANY,
Petitioner,

vs.

THE FIRESTONE TIRE & RUBBER COMPANY,
Respondent.

On Petition for Writ of Certiorari
To The United States Court of Appeals
For the Sixth Circuit

BRIEF OF RESPONDENT, THE FIRESTONE TIRE & RUBBER COMPANY, IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Sixth Circuit is reported at 489 F.2d 1105 and is reproduced in the Appendix to the petition at p. 3a. (P. App., 3a). The order of the Sixth Circuit denying the petition for rehearing *en banc* was entered on January 15, 1974 and is reproduced in respondent's Appendix at p. 1. (R. App., 1)

JURISDICTION

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

1. Whether the Court of Appeals correctly held that under the particular circumstances presented by this case the District Judge should not have reconsidered findings of fact made prior to transfer of the case by another District Judge, where such findings were based on the credibility of witnesses heard and observed only by the District Judge of the transferor court?

2. Whether the Court of Appeals correctly held that the terms of a research contract entered into between petitioner and the Reconstruction Finance Corporation 25 years ago granted respondent, as a nominee of the RFC, an express royalty-free license to make, use and sell the invention forming the subject matter of the patent in suit?

STATEMENT OF THE CASE

Effective January 1, 1949, General Tire & Rubber Company ("General"), petitioner, entered into a Research Contract with the Reconstruction Finance Corporation ("RFC"), providing for research and development work on general purpose synthetic rubbers suitable for use in transportion items, such as tires and tread stocks. (P. App. 30a, 55a). This Research Contract, pursuant to which General received almost one million dollars in Government research funds, remained in effect until 1955, when the Government-owned sythentic rubber facilities were sold to private industry as part of a program approved by the Congress in the Rubber Producing Facilities Disposal Act of 1953, 50 U.S.C.A. § 1941. (P. App. 229a).

Under the terms of the Research Contract, General granted the RFC and its nominees a royalty-free license to

all information resulting from its reimbursed research work. General was also required to disclose to the RFC all information "acquired from any source," which was within the scope of the Contract "whether patented, patentable, or unpatentable," and irrespective of whether it resulted from any reimbursed research and development work. The RFC and its nominees were granted a royalty-free license to this kind of information for utilization "in the production, use or sale of general purpose synthetic rubber suitable for use in the manufacture of transportation items such as tires or camelback [tread stock]" (P. App., 57a-58a).

During 1949 General commenced work on oil extended rubber, a general purpose synthetic rubber of the kind described in the scope paragraph of its Research Contract, and performed most of the research and development work which eventually formed the subject matter of General's U. S. Letters Patent No. 2,964,083 containing claims covering the use of oil extended rubber in tires and tread stocks. (P. App. 30a). Because General wanted to appropriate the results of this work to its own private benefit, there were, as the Court of Appeals recognized, "many evasive measures indulged in by General to escape the effect of its obligations under the Research Contract" (489 F.2d at 1124; P. App. 38a), and none of General's early work on oil extended rubber was reported to the RFC, as required by its Contract. (P. App. 30a).

In early 1951 General, anticipating that the RFC would request all research contractors to perform research and development work on oil extended rubbers and the use of such rubbers in tires and tread stocks, hastily arranged for a transfer of its pending patent application to Pneus Generale, S.A., a Brazilian subsidiary. (P. App. 234a).* Having assigned the application to its Brazilian

* The transfer was a sham and regarded by the Court of Appeals as "only one" of the many evasive measures taken by General to conceal its work from the RFC. (489 F.2d at 1124; P. App., 38a).

company, General went ahead and did extensive research and development work in this area at Government expense under its Research Contract. General never disclosed to the RFC, however, that it claimed, through its Brazilian subsidiary, private rights in the subject matter of this reimbursed research and development work.

While General's patent application was still pending in the Patent Office in the name of its Brazilian subsidiary, the Rubber Producing Facilities Disposal Commission, created pursuant to the Rubber Producing Facilities Disposal Act of 1953, 50 U.S.C.A. § 1941, arranged for the sale of the Government synthetic rubber facilities to private industry. Respondent Firestone Tire & Rubber Co. ("Firestone") was successful in its bid for the purchase of two of these plants and, pursuant to provisions in the contracts of sale, was designated as a nominee of the RFC under a number of research contracts, including that entered into between General and the RFC. (P. App. 227a). The entire disposal program was then approved by the Congress (P. App. 190a), the Disposal Commission reporting that "the patent agreements to which the Government was a party and the actions subsequently taken in this field by the Commission assure that adequate rights to patents and technical information are available to the plant purchasers." Rubber Producing Facilities Disposal Commission Report to Congress Recommending Disposal of Government-Owned Synthetic Rubber Facilities (Public Law 205 – 83rd Congress) p. 31 (1955).*

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* General's claim that Firestone was made a nominee because it was able to purchase a plant, and that Firestone, Goodyear and Uniroyal "are the only tire producers who qualify for this windfall" (Pet., 21) is misleading. Although General itself failed in its bid to purchase a plant, it requested and received from the Government the same nominee status as Firestone and other plant purchasers.

With the RFC rubber program terminated, and with the synthetic rubber facilities sold to private industry, General had its Brazilian company reassign the pending patent application to General. (P. App. 234a). The patent eventually issued on December 13, 1960, and General commenced suits for infringement in the District Court for the Northern District of Ohio, in Cleveland, against Goodyear and United States Rubber Company and demanded that others in the industry accept licenses under the patent. Firestone and one of its customers, McCreary Tire & Rubber Company, filed suit in the District of Mayland, in Baltimore, for a declaratory judgment of the invalidity and non-infringement of General's patent and for a determination that each had a royalty-free license to practice the alleged invention. General then brought suits against Firestone and McCreary in Cleveland, these actions being stayed while the declaratory judgment action went forward in Baltimore. (P. App. 119a).

Proceedings in Baltimore

After several unsuccessful efforts to have the Baltimore case transferred to Cleveland, General sought to have the case dismissed, claiming that Firestone had conspired with the defendants in the Cleveland action in order to force General to litigate in Baltimore, and that joint counsel for McCreary and Firestone had misrepresented McCreary's status as an independent co-plaintiff in the Baltimore case in order to prevent transfer of the case to Cleveland. The Baltimore District Judge conducted hearings, taking testimony from those witnesses claimed by General to be participants in the alleged fraud, and overruled motions to dismiss or to tranfer filed by General in October of 1965 and again in June of 1966 (R. App., 4), issuing what the Fourth Circuit later described as "a long and meticulous

opinion" completely rejecting all of General's fraud charges.* *General Tire and Rubber Company v. Watkins,* 373 F.2d 361, 367 (4th Cir.), *cert. denied,* 386 U.S. 960 (1967). Acting on the basis of the credibility of the witness who appeared before him (R. App., 8), the Baltimore District Judge specifically found that "no fraud, serious or otherwise, has been practiced upon the Court by the plaintiffs," and that "there has been no effort by plaintiffs to practice fraud upon the Court." (R. App., 23).

General responded by filing its fourth mandamus action against the Baltimore District Judge in the Fourth Circuit, requesting dismissal or transfer of the Baltimore case to Cleveland. The Fourth Circuit refused to dismiss the action for alleged fraud and did not reverse or modify the Baltimore District Judge's denial of General's motion to dismiss. Instead, the Court of Appeals ordered the case transferred, solely for reasons of judicial economy, to the Northern District of Ohio in Cleveland for consolidation and trial with General's pending infringement action against the United States Rubber Company. *General Tire & Rubber Co.* v. *Watkins, supra* at 368. (P. App., 275a).

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* Significantly, the Baltimore District Judge stated in this opinion that testimony and statements in open court made it clear to the court, *well before* the discovery of the dictaphone belt referred to in the petition, that McCreary was paying only a portion of the costs of the litigation based upon its production relative to that of Firestone (R. App., 13-20), and that "this was a bona fide arrangement with no agreement that in fact, ultimately Firestone would bear all the costs." (R. App., 21). McCreary's production was, in fact, one percent of that of Firestone, and McCreary was billed for and did, in fact, pay that portion of the costs. (*Id.* at 23). Since the Appendix to the petition omits several critical paragraphs of this opinion, the opinion, findings of fact and conclusions of law by the Baltimore District Judge are set forth in their entirety at pp. 2-24 of respondent's Appendix. (R. App., 2-24).

Proceedings in Cleveland

After the Baltimore Case was transferred to Cleveland, General refiled with the District Judge in Cleveland the same motion to dismiss, based upon the same fraud charges, which had been twice heard and twice rejected by the District Judge in Baltimore. Although no additional evidence of any kind was presented by either party, the District Judge in Cleveland, over Firestone's objection, reconsidered the issue, using the same record made in Baltimore four years earlier, and held that Firestone had perpetrated a fraud on the Baltimore court. (P. App., 63a). Trial followed on the merits, and General's patent was held valid, enforceable and infringed by the District Court in Cleveland, the court's opinion, findings of fact and conclusions of law being copied by the District Judge from submissions by General. (P. App., 21a, 34a).

Decision of the Court of Appeals

On Firestone's appeal to the Sixth Circuit, the Court of Appeals vacated the District Court's fraud ruling, holding that under the circumstances presented here "'the Court in Cleveland, before whom the alleged fraud was not practiced," should not have reconsidered the findings of the Baltimore District Judge and allowed those findings, based upon the credibility of witnesses heard and observed only by the Baltimore District Judge, to stand. Those portions of the District Court's judgment relating to patent validity and infringement were affirmed, but the Court of Appeals, referring to the "many astonishing interpretations of this Research Contract contained in the findings of fact prepared by General Tire's attorney and adopted by the District Judge," reversed that portion of the District Court's judgment relating to the license defense. Thus, the Court of Appeals held that General's invention "was exactly the

sort of research and development work" which was contemplated by General's Research Contract, and that the "plain language" of paragraph 7(2) of that Contract constituted "a grant from General of a royalty-free license to RFC and Firestone as RFC's nominee" to use General's invention, as the license grant specifically provided, "in the production, use or sale of general purpose synthetic rubber suitable for use in the manufacture of transportation items such as tires." (489 F.2d 1105, 1122-24; P. App., 34a, 36a-38a).*

REASONS FOR NOT GRANTING THE WRIT

I. The Decision of the Court of Appeals Holding that Under the Particular Circumstances of This Case the District Judge in Cleveland Sould Not Have Reconsidered an Issue Previously Decided by the Baltimore District Judge Does Not Present Any Important or Recurring Question of Law Requiring Consideration by This Court.

In stating the first question relied upon in support of its petition, General contends that the Sixth Circuit Court of Appeals, in vacating the Cleveland District Judge's fraud ruling, held that the doctrine of *res judicata* prevented the Cleveland District Judge from reconsidering, upon a different record, an earlier decision by the Baltimore District Judge which had been reversed by the Fourth Circuit Court of Appeals. (Pet., p. 2). General's petition

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* The Sixth Circuit thus did not have to pass upon Firestone's defenses of patent misuse, implied license, waiver, estoppel or violation of General's fiduciary duties as a research agent of the RFC, any one of which could have supported a reversal of the judgment of the District Court. As the Court of Appeals noted, "no findings adverse to General in this [assignment of the patent application to the Brazilian company] or other issues have been entered by the District Court, and we have no inclination to remand any part of this altogether too lengthy litigation for any further proceedings of any kind." (489 F.2d at 1124; P. App., 38a).

not only misrepresents the decision of the court below, but poses a question which is not presented by this case. Contrary to General's contention, the Sixth Circuit's ruling was not based upon the doctrine of *res judicata;* the decision of the Cleveland District Judge had not been based upon a different record; and the Fourth Circuit had not reversed the Baltimore District Judge's ruling absolving Firestone of General's fraud charges.*

The decision of the Court of Appeals on this issue was not based upon *res judicata,* but was a routine application of law-of-the-case principles to a set of circumstances so compellingly weighted against reconsideration of the matter that, as the court below held, the Cleveland District Judge, "before whom the alleged fraud was not practiced, should not have proceeded to determine such charges." (489 F.2d at 1124; P. App., 38a). The decision below is limited to the particular facts of this case and is supported by a long line of authorities holding that a court should not reconsider a matter previously decided by another court of coordinate jurisdiction in the absence of "cogent reasons" or "extraordinary circumstances" which the Court of Appeals properly determined were not present here. *Zdanok v. Glidden Co.,* 327 F.2d 944 (2d Cir.), *cert. denied,* 377 U.S. 934 (1964); *Lincoln Nat'l Life Ins. Co. v. Roosth,* 306 F.2d 110 (5th Cir. 1962), *cert. denied,* 372 U.S. 912 (1963); *TCF Film Corp. v. Gourley,* 240 F.2d 711 (3d

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* The first reference to *res judicata* which has ever appeared in this case has been in General's petition to this Court. General did not even refer to *res judicata* in its unsuccessful petition to the Court of Appeals for rehearing, and in fact noted in that petition that both parties to the litigation had agreed that the District Judge had the power to re-examine the earlier decision, but differed on the circumstances under which sound discretion permitted him to do so. (R. App., 24).

Cir. 1957); *Donnelly Garment Co. v. NLRB*, 123 F.2d 215 (8th Cir. 1941); *Demaurez v. Swope*, 110 F.2d 564 (9th Cir. 1940); *Shreve v. Chessman*, 69 Fed. 785 (8th Cir. 1895).

Application of these principles to the circumstances of this case was particularly appropriate in view of the fact that the Baltimore District Judge based his findings relating to this issue on the credibility of those witnesses who appeared only before him. (R. App., 8). Contrary to General's contention, no additional evidence of any kind was adduced before the Cleveland court. Indeed, in the pre-trial order which he issued before redeciding the fraud issue, the Cleveland District Judge acknowledged that General was resting its case "with matters already of record" (R. App., 25), and his subsequent decision was based wholly upon his reading of the same record made in Baltimore four years earlier.*

General recognizes that the Court of Appeals did not invoke the principle of *res judicata* as a basis for its decision on this issue, for General concedes in its petition that the opinion below can be read as holding that the Cleveland District Judge abused his discretion in reconsidering the fraud claim. (Pet., p. 17). Significantly, General does not try to explain why the opinion of the Court of Appeals should not be so read, but instead argues that the Cleveland judge "certainly did not abuse [his] discretion." (*Ibid.*) This contention is without merit, but more im-

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* Although the Cleveland District Judge referred to what he called "testimony before the Fourth Circuit" (P. App., 50a), what he was referring to was not testimony, but rather, oral argument by Firestone's counsel in connection with General's earlier mandamus petition to that court. That argument was, moreover, supported in all respects by the testimony which had been given before the District Judge in Baltimore. (R. App., 13-22).

portantly, whether or not the Cleveland District Judge abused his discretion, which is the real question General is presenting, is not a proper subject for review by this Court.*

Nor does this case present any reason for review of "standards of trial advocacy" in the federal courts as General pretends in its petition. General has used its so-called fraud issue to smear Firestone for more than eight years in an effort to avoid having the real issues in this case resolved on their merits, as they now have been by the decision below. While a new label has now been affixed to the same old and completely discredited allegations, General offers no legitimate reason for review by this Court of these collateral and diversionary claims which were not accepted by the Baltimore District Judge, by the Fourth Circuit, or by the Sixth Circuit, whose decision reinstating the findings of fact on this issue by the Baltimore District Judge was clearly correct in light of well established principles that such findings should not be disturbed unless "clearly erroneous," and that an appellate court should not substitute its own judgment concerning credibility of witnesses for that of the trial court. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969), *on remand*, 418 F.2d 21 (7th Cir. 1969), *rev'd*, 401 U.S. 321 (1971), *rehearing*

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* Also inaccurate is General's claim that the Fourth Circuit reversed the Baltimore judge's decision rejecting General's fraud charges. As noted before (*supra*, p. 6), the Fourth Circuit did not rule on this issue, the decision of the Fourth Circuit directing transfer of the case being based on a wholly different ground, which was the judicial economy which the Fourth Circuit believed could be realized by a transfer of Firestone's Baltimore case to Cleveland for consolidation and trial with General's pending case against United States Rubber Company in Cleveland. (*General Tire & Rubber Co. v. Watkins, supra* at 368; P. App., 275a).

denied, 401 U.S. 1015 (1971); *Case v. Morrisette*, 475 F.2d 1300 (D.C. Cir. 1973).*

II. The Decision of the Court of Appeals Holding that Firestone Was Licensed to General's Invention Under the Terms of This Research Contract Does Not Present Any Issue Which Is an Appropriate Subject for Review by This Court and Is Not in Conflict With Any Decisions of Either This Court or the Court of Claims.

Properly analyzed that aspect of the decision below relating to Firestone's license defense presents issues relating only to the interpretation of the particular language of a contract designed for application to a particular set of circumstances in order to accomplish a particular purpose. Every indication is that the form of contract used by the RFC back in 1949 was specifically tailored to the synthetic rubber program and has never been used since by the Government in any other research program. *See e.g., Technitrol, Inc. v. United States*, 440 F.2d 1362 (Ct. Cl. 1971); *Mine Safety Appliances Co. v. United States*, 364 F.2d 385 (Ct. Cl. 1966). All other U.S. tire manufacturers have accepted licenses from General, and the patent in suit will itself expire in another three years. (P. App., 119a). There

* The alleged fraud issue has been rendered moot by the Sixth Circuit's holding that because of General's own unclean hands in this litigation, it would not be entitled to costs or sanctions of any kind, which was the relief requested here because of the alleged fraud. (489 F.2d at 1124; P. App., 38a). General's petition consists in large part of a biased review of portions of the evidence presented on the fraud issue, including the so-called "backfire plot" (Pet., pp. 7-8), which has been rejected by every court which has considered the issue. (P. App., 71a). Firestone has refrained from responding to these continued charges by General because it believes that evidentiary quarrels of this kind are not the proper subject of a petition for writ of certiorari. A fair and detailed review of all of the relevant evidence can, however, be found in the memorandum decisions of the Baltimore District Court. (R. App., 2-24.)

is, therefore, no question of a recurring or continuing nature presented here, the decision of the Court of Appeals having correct application only to a contract entered into as part of a program terminated by the RFC back in 1955.

The absence of any issue requiring review here by this Court is further apparent from the fact that the first question General presents relating to this aspect of the decision below was not raised in either the District Court or the Court of Appeals. Thus, General argues that Firestone somehow lacked "standing" to assert those rights it acquired as a nominee of the RFC in the absence of the Government as a party to this action. (Pet. p. 20). This contention does not rest on any claim that the Government was either an indispensable or necessary party, an issue on which General has already failed to obtain review by this Court, *General Tire & Rubber Co. v. Watkins*, 326 F.2d 926 (4th Cir.), *cert. denied*, 377 U.S. 909 (1964), but rather, on some undefined principle "akin to the doctrine of primary jurisdiction" (Pet. p. 21), which General would have this Court apply to a dispute between private litigants because it happens to arise out of contractual obligations assumed almost 25 years ago while an RFC research program was in effect.* The short answer to this strained argument is that Firestone was defending here against charges of patent infringement and asserting a defense which required the courts below only to interpret the language of

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* General's assertion that the Government has taken the position that it was not licensed to General's invention is contrary to General's own allegations in the amended complaint filed by General in its declaratory judgment action against the Government that the Government *did* claim a license to the invention. The declaratory judgment action, *General Tire & Rubber Co. v. United States*, Civil Action No. 14333 (D.C. Md. 1963), was dismissed because the Government was not being charged with infringement of General's patent, and hence there was no justiciable controversy.

a contract and not to administer any "comprehensive statutory scheme" which has been entrusted by law to any particular agency of Government. (*Ibid.*) General's plea for the adoption of primary jurisdiction principles in such circumstances is a contrived and frivolous position which certainly does not warrant the attention of this Court."

General's effort to generate a conflict between several decisions of the Court of Claims and that of the court below only confuses the difference between liberal rules of contract construction, which should be followed where license grants to the Government are involved, *Technitrol, Inc. c. United States,* 440 F.2d 1362, 1372 (Ct. Cl. 1971); *Mine Safety Appliances Co. v. United States,* 364 F.2d 385, 392 (Ct. Cl. 1966), and liberalized rules of evidence in situations where terms used in the contract are ambiguous and require some explanation or definition. *Firestone Tire & Rubber Co. v. United States,* 444 F.2d 547, 555 (Ct. Cl. 1971); *W. G. Cornell Co. of Washington, D. C., Inc. v. United States,* 376 F.2d 299, 309 (Ct. Cl. 1967). None of these cases conflict in any way with the decision below, nor do they, or the decision of the Court of Appeals here, reflect any uncertainty with respect to the standards to be applied in the interpretation of contracts of this kind.

Having resolved the license issue in favor of the RFC and its nominees, the Court of Appeals was certainly not departing from the rule, enunciated by the Court of Claims in *Mine Safety Appliances Co. v. United States, supra* at 392, and then reiterated in *Technitrol, Inc. v. United States, supra* at 1372, of construing the license provisions of such research contracts liberally in favor of the Government. Similarly, the Court of Appeals' holding here that certain extrinsic evidence relied upon by General "was not competent to vary the express terms of the agreement" (489 F.2d at 1124; P. App., 37a), finds nothing but support in *W. G.*

Cornell Co. of Washington, D. C. Inc. v. United States, supra, where the Court of Claims pointed out that while such evidence may be admissible to explain or define terms used in an agreement, it may not be used to "vary or contradict" the express language of the contract. (376 F.2d at 311). See also, *Firestone Tire & Rubber Co. v. United States, supra* at 556.*

Finally, there is no conflict whatsoever between the decision below and this Court's decision 60 years ago in *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.,* 232 U.S. 413 (1914), which involved no license or contract of any kind, express or implied, but rather, a common law trade right. This Court simply held that one who had secured immunity from prosecution by prevailing in an infringement suit could not thereby transfer that immunity to other manufacturers using one of its products in the patentable combination. General's claim that this principle should prevent Firestone as a nominee of the RFC from using oil extended rubber in tires and tread stocks ignores the fact that here, unlike *Rubber Tire Wheel,* there was an express license granting the RFC and its nominees not only the right to make this rubber, but also the right to make, use and sell such rubber for use "in the manufacture of transportation items such as tires or camelback." (P. App., 58a).

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* Moreover, the Court of Appeals' determination that this Research Contract covered General's "invention" regardless of the manner in which General later framed the claims of its patent (489 F.2d at 1120, 1122-23; P. App., 29a, 34a-35a) parallels perfectly *Mine Safety Appliances Co. v. United States, supra* at 391, and *Technitrol, Inc. v. United States, supra* at 1369, where the Court of Claims held that it was "unnecessary to delimit fully the scope of the patent claims in order to move toward resolution of the license issue" since the research contract "does not tie the Government's license to the patent laws."

Conclusion

For the foregoing reasons, respondent, Firestone Tire & Rubber Co., submits that the petition of The General Tire & Rubber Co. for a writ of certiorari to the United States Court of Appeals for the Sixth Circuit should be denied.

Respectfully submitted,

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In the
Supreme Court of The United States

OCTOBER TERM, 1973

No. 1529

THE GENERAL TIRE & RUBBER COMPANY,

Petitioner,

vs.

THE FIRESTONE TIRE & RUBBER COMPANY,

Respondent.

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United States Court of Appeals

FOR THE SIXTH CIRCUIT

THE GENERAL TIRE & RUBBER CO., *Plaintiff-Appellee,*
vs.
THE FIRESTONE TIRE & RUBBER CO., *Defendant-Appellant.*
THE FIRESTONE TIRE & RUBBER CO., *Plaintiff-Appellant,*
vs.
THE GENERAL TIRE & RUBBER CO., *Defendant-Appellee.*

ORDER

Before: EDWARDS, MILLER and LIVELY, Circuit Judges.

On receipt and consideration of plaintiff-appellee's petition for rehearing in banc; and

No active judge of this court having made a motion for such a rehearing in banc under Rule 35 of the Federal Rules of Appellate Procedure,

Said motion being therefore automatically referred to the panel which heard the case; and

Said panel noting that the motion for rehearing presented no argument which had not been taken into account in the court's prior consideration of the case,

The motion for rehearing is hereby denied.

Entered by order of the Court

[s] JAMES A. HIGGINS
Clerk

In The United States District Court

FOR THE DISTRICT OF MARYLAND

Civil Action No. 12932

THE FIRESTONE TIRE & RUBBER COMPANY

v.

THE GENERAL TIRE & RUBBER COMPANY

[264 F. Supp. 291]

Memorandum on Defendant's Renewed Motions To Transfer and To Impose Sanctions

R. DORSEY WATKINS, *District Judge*

The defendant, The General Tire & Rubber Company (General), has renewed

[Decision of Judge Watkins, October 17, 1966]

[264 F. Supp. at 292]

its motion of April 13, 1961 to dismiss or transfer, and its motion of September 6, 1963, to transfer, this case to the United States District Court for the Northern District of

[Decision of Judge Watkins, October 17, 1966]

[264 F. Supp. at 292]

Ohio, Eastern Division. Defendant further moves that sanctions be imposed upon plaintiffs,[1] including General's attorney fees and expenses arising from the prosecution of Civil Action No. 12,932, and an equal amount "against plaintiffs payable to the Court to compensate for plaintiffs' gross imposition upon the Court and hardship caused other litigants by plaintiffs' fraudulent monopolizing of over two and one-quarter years of the Court's time * * * [and] for such other penalties, sanctions, and relief as the Court may see fit."

The Court is also requested to enter certain proposed Findings of Fact.

The motions are stated to be based, "in addition to the grounds set forth in the documents supporting the previous transfer motions, upon newly discovered evidence which was kept from defendant by plaintiffs, although it was in the possession and control of one or both plaintiffs and known by them prior to the transfer motions of April 13, 1961 and September 6, 1963. The motions are also brought following the suggestions of the Court of Appeals in Case No. 10,429, at pages seven and eight of its opinion. [General Tire & Rubber Company v. Watkins, 4 Cir. 1966, 363 F.2d 87, 89-90]."

Significantly, there is no renewal of, or even mention of, defendant's motion of October 12, 1965, seeking, among other things, a dismissal of the declaratory judgment action of McCreary Tire & Rubber Company (McCreary), a

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1. Plaintiff McCreary and defendant General have reached a settlement and the Amended Complaint of McCreary has been dismissed with prejudice.

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dismissal of the declaratory judgment action of The Firestone Tire & Rubber Company (Firestone), or in the alternative, a dismissal of the non-infringement portion of the declaratory judgment action; and to charge Firestone and McCreary "with costs, expenses and attorney fees resulting from their improper declaratory judgment action and conduct", and such additional relief as the Court may consider proper.

No mention is made of the Supplemental Statement filed by defendant on October 26, 1965, in support of the motion filed October 12, 1965. This Supplement is primarily related to meetings in March 1961, purportedly involving the relationship of Goodyear Tire and Rubber Company and United States Tire and Rubber Company to this litigation.

Finally, no mention is made of this Court's ruling on December 13, 1965, denying the motion of October 12, 1965 as supplemented on October 26, 1965, raising substantially the same contentions as are made herein, nor of the Court's oral opinion thereon (Transcript, pages 26,987-27,010).

In General Tire and Rubber Company v. Watkins, supra, the Court of Appeals said (363 F.2d at pages 89-90):

> "Since the oral argument McCreary and General Tire have filed certain papers in this court in an effort to amplify the record. They are bottomed upon what purports to be a tape recording of a telephone conversation between a former president of McCreary and one of the lawyers for Firestone. It is suggested that there was falsity in the plaintiffs' representations—in opposition to General's original motion to transfer the case to Ohio—that McCreary was an independent party prosecuting the case at its own expense. These

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representations may well have been the determinative factor in the denial of the transfer motion. If they were in fact untrue, it appears that the plaintiffs may have practiced a serious fraud upon the District Court.

"However, these papers are not germane to the present petition for mandamus to disqualify the District Judge and the propriety of the earlier motion to transfer is not now before us.

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If the tape recording constitutes newly discovered evidence warranting reconsideration of the motion to transfer or any other relief, or the imposition of any sanction, it should first be presented to the District Court, with a motion stating what relief is claimed. After a hearing, the District Court will be in position to determine the authenticity of the tape recording, the truth and materiality of any representations made to the court earlier, and to grant whatever relief may be appropriate.

"After the District Court has acted upon an amplified record, this court can entertain any issue appropriately brought up for review. Until then, any application based upon the tape recording or a claim of earlier misrepresentation should be addressed to the District Court."

Neither side has asked to take further testimony, or otherwise to amplify the record. However, oral argument was had on September 19, 1966, and on September 26, 1966, the Court advised counsel that the motion had been denied—this memorandum states the reasons therefor.

In its Memorandum in support of the present Motions defendant says (pages 1-2):

"Pursuant to this clear invitation of the Court of Appeals, defendant has renewed its April 13, 1961 motion to dismiss or transfer and its September 6, 1963 renewed motion to transfer. The foundation for the present renewed motion is the *newly discov-*

ered evidence comprising DX 1840, the 'backfire' memorandum, and the dictaphone recording of the May 9, 1961 telephone conversation between Mr. Birch and Mr. Harry C. McCreary, Sr. R. 33,325–33,330." (Emphasis supplied.)

DX 1840 was filed September 30, 1965, well before this Court's opinion of December 13, 1965, denying defendant's motion to dismiss as supplemented (which raised issues presently before the Court) so that the only "newly discovered evidence" is the dictaphone recording, certain papers in McCreary's files (McCreary Exhibits 1-7), and the testimony with respect thereto. This Court might well confine its consideration to the significance, if any, of this newly discovered evidence on the claim of fraud. Since, however, the charge is so serious, and defendant attacks the professional integrity of Firestone's attorneys, including the credibility of Firestone's house counsel, who is also an attorney, although not engaged in court appearances, the Court will consider all of the grounds advanced by defendant in defendant's Memorandum and proposed Findings of Fact

1. *The Origin of this Litigation.*

Defendant contends that Firestone brought this action at the invitation of Goodyear and U. S. Rubber to delay and disrupt the Ohio litigation. Reference is made to a claimed "backfire" suggestion of Mr. Kenyon; the significance of DX 1840; and the claim is made that the dictaphone recording showed that some secret agreement existed between Firestone and McCreary. The same contentions, including the one that there was an undisclosed agreement between Firestone and McCreary (but not, of course, relying upon the dictaphone belt), were made by defendant in its Memorandum in support of its October

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12, 1965 motions; together with an attack upon the "chameleon testimony" of Clark, Firestone's house patent counsel.[2]

These contentions, except as to the significance of the dictaphone belt, were in effect found to be lacking in merit by this Court's ruling and oral opinion of December 13, 1963 (Transcript, pages 26,987-27,010, and especially 26,991, where there is a reference to the "backfire"; and 26,991-26,993 where the New York conferences are mentioned).

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[1] However, that there may be no doubt, the Court, after a consideration of the record, and particularly the testimony of Mr. Clark, both by way of deposition and in open court; DX 1840; and the exhibits to defendant's Supplemental Statement, filed October 26, 1965, finds that the substance of the New York conference on March 17, 1961 is as stated by Clark in Transcript, pages 22-230-22,244; that the conference was initiated by Clark to consider trial tactics by Firestone, including the place where a declaratory judgment suit should be filed and the possible effects of an earlier decision in either the Cleveland, Ohio, litigation or where Firestone might sue; that the instant litigation was not at the suggestion or request of United States Tire and Rubber Company and/or Goodyear Tire and Rubber Company, but was a bona fide and independent effort on the part of Firestone to secure an adjudication in a circuit other than the Sixth Circuit; that the joinder of McCreary was a last minute idea, stimulated by the inclusion in the draft complaint of a reference to an

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2. This attack is repeated in defendant's Response to Plaintiff's Proposed Findings in opposition to defendant's Motions to dismiss or transfer, to transfer and for the imposition of sanctions.

alleged world-wide license; and that no fraud was attempted or perpetrated upon the Court as to the origin of the litigation.

This finding is made because the Court is satisfied that the witness Clark testified honestly in his deposition and in court. The Court has also taken into consideration his general demeanor on the stand and that the discrepancies, if any, were insubstantial; and that his inabilities to recall were because of, and consistent with, the passage of time and the absence of memoranda kept by him.[3] These conclusions are fortified, as to the March 17, 1961 meeting by the Answers to Interrogatories, filed by defendant on October 26, 1965, with respect to Messrs. Kenyon and Mandelbaum, attorneys for United States Rubber Company and Mr. J. A. Fowler, Jr., attorney for Goodyear Tire and Rubber Company. Messrs. Kenyon and Mandelbaum are reported as stating, with regard to Transcript, pages 22,230-22,244, that "So far as concerns their recollection of the events that occurred at the meeting of March 17, 1964 their recollection is in general[4] in accord with the aforesaid testimony." As to Mr. Fowler, reference is made

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3. In reaching these conclusions the Court has considered McCreary exhibits one through seven submitted by Mr. Walter J. Blenko, Jr., at the time of the hearing of April 26, 1966 in this court and has found the discrepancies, if any, between Clark's testimony and Mr. McCreary, Sr.'s memoranda relating to their communications prior to the filing of the instant suit insubstantial and of no materiality on the issues involved in the current motions.

4. Defendant apparently argues that because Messrs. Kenyon and Mandelbaum agreed "in general" they should have stated any particulars in which they did not agree. The Court construes the statement attributed to them to mean that while they might have used language different from Clark's, in substance they agreed with him. Clearly their language does not permit of a construction that they disagreed on any material aspect or statement.

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to Mr. Clark's testimony on September 30, 1965 and it is stated: "Mr. Clark in his answers stated his recollection or speculation, and Mr. Fowler is not in a position to disagree with such answers."

2. *The "Agreement" between Firestone and McCreary.*

The question of agreement between Firestone and McCreary as to McCreary's responsibility seems to have been considered under four topics or aspects—(a) indemnity or hold harmless; (b) dependence or independence; (c) liability for expenses; and (d) "secret." These will be considered in the same order.

(a) Indemnification or hold harmless.

All the testimony, and the answers to an appropriate interrogatory are to the effect that there never was any agreement by Firestone to hold McCreary harmless, or to indemnify it, with respect to this litigation. Except as it may be implicit in the claimed "secret" agree-

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ment,[5] there is no serious contention that any such indemnification or hold harmless agreement existed.

The Court finds as a fact that there was no such agreement.

(b) Dependence or independence of McCreary.

The testimony and exhibits have consistently shown that McCreary had some sort of responsibility with respect to the cost, including attorneys' fees, of this litigation. In that respect only, may McCreary be said not to have been

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5. Since the terms of a "secret" agreement are necessarily not known except to the alleged parties, arguably the agreement could be all-embracive, or limited to a single point. Defendant has not sought to enlighten the court as to what the terms of the supposed secret agreement are.

completely independent of Firestone, in that Firestone was to bear the bulk of the expenses.

Other than financial, the record on relationship is as follows:

(i) On July 6, 1961, at the hearing on the first transfer motion, Mr. Irons spoke of Mr. McCreary (in the latter's presence) as follows:

> "He [McCreary] comes here jointly as plaintiff with Firestone, but other than that, independent, he pays my bills as I send them to him, * * * he can accept a judgment against him or he can take such other action as he wants to, he is subject to no mandate or direction from Firestone." (Page 62.)
>
> * * *
>
> "He [McCreary] can, perhaps, derive some benefit from his association with Firestone, but he comes here independently, and not as Firestone's agent or cat's paw, and I think that should be clearly understood." (Page 63.)

(ii) In his affidavit filed June 30, 1961, in opposition to the transfer motion, Mr. Irons referred several times to McCreary's independence.

(iii) In plaintiffs' Reply Memorandum filed before the pretrial hearing of July 6, 1961, it is stated (pages 17-18):

> "Nor are there any aspects of 'McCreary's customer-supplier relationship with Firestone' which require proofs located in Akron. McCreary simply purchases unpatented oil-extended rubber from Firestone in routine manner. Such purchases are completed in Indiana, Pennsylvania. Other than conventional purchase orders, there are no oral or written contracts whatever between Firestone and McCreary.[19]

"19. Hence the testimony of 'persons having knowledge of Firestone's relationships with its customer McCreary' (Def. Br. page 17) is not material."

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Defendant quotes only the last sentence of the text, without reference to the footnote, or to its omission, and argues that this is inconsistent with an agreement to pay part of the expenses of litigation.

The Court finds that in context, the reference was as to the absence of any reason to transfer to Ohio, for the convenience of securing evidence as to the work-a-day customer relationship between Firestone and McCreary. The Court would not and does not construe the whole, or the quoted part, of the paragraph, as a representation to the Court that there was no arrangement as to the sharing of the litigation expenses.

(iv) Defendant refers to McCreary's answers to Interrogatories 11 and 12, filed on October 16, 1961, and read into the record on April 28, 1965, at Transcript, pages 18,372-18,374. Interrogatory 11 asked for identity of all written agreements between Firestone and McCreary which relate to participation in this case, to which the answer was that there are none. Interrogatory 12 asked if there were any oral agree-

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ments on the same subject matter. The answer was not a simple "No", but:

> "There are no oral agreements between the Firestone Tire and Rubber Company and plaintiff McCreary which relate to the participation of plaintiff McCreary and the Firestone Tire and Rubber Company *in the conduct of* this civil action." (Emphasis supplied.)

The contrast in the direct denial in response to Interrogatory 11, and the qualified answer to Interrogatory 12 is significant. "Participation in this case" might well mean participation in any manner, including sharing or contri-

bution in expenses or costs. "Participation * * * in the conduct of" the case would normally mean participation in control of the course of the litigation, including trial tactics, selection of experts, raising of issues, selection of defenses, decisions as to admissions, and decisions as to whether or not settlement should be discussed, and if a settlement were to be effected, when and for how much. An agreement to pay a part of the cost of litigation would be consistent with the absence of any agreement as to participation in or right to participate in the conduct of the case.

(v) The deposition of Clark (Transcript, pages 18,933-18,934) and the testimony of Birch (Transcript, pages 22,668-22,669) as to charges to McCreary are completely consistent with the only arrangement between Firestone and McCreary being the sharing of costs, as is the dictaphone recording, to be discussed in more detail.

(vi) What has actually occurred in this case is a pragmatic demonstration of McCreary's "independence", other than its obligation to pay a share of the expenses. McCreary did, without so far as the record shows any prior consultation with or approval by Firestone, employ new attorneys and discharge its old, enter into negotiations for settlement with General, and finally effect a settlement which left the entire controversy open between Firestone and General. General counters by saying that acts in 1966 do not prove independence in 1961. "The fact that the United States declared independence from Great Britain in 1776 does not mean that it was independent in 1771." [6] But there is nothing in the record to show that

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6. Defendant's Supplemental Section A, filed September 13, 1966.

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McCreary ever indicated that it was dependent upon Firestone, or had to, or did, declare its "independence."

McCreary's conduct in 1966, while it does not prove, is at the very least entirely consistent with, independence of Firestone in the conduct of this litigation, in and since 1961—and the Court finds this to be the fact, except as to McCreary's obligation to pay a share of the litigation expenses.

(c) McCreary's undertaking to pay a share of the litigation expenses.

It has, at least since July 6, 1961, been clear to this Court that some agreement or arrangement existed between Firestone and McCreary pursuant to which McCreary was to bear some portion of the litigation expenses, having relationship to the volume of production of the two companies. The order in which this developed (which is not the chronological order of the events themselves) is as follows:

(i) The statement by Mr. Irons at the July 6, 1961 hearing on the first transfer motion, quoted above, that McCreary "pays my bills as I send them to him * * *."

(ii) In his deposition taken on August 15, 1962 and read in part into the record on May 5, 1965, at pages 18,933-18,934, Mr. Clark testified:

> "MR. MERRIAM: Would you turn to page 226, please, line 18:
>
> " 'Q. Does Firestone have any arrangement with McCreary as to payment of the cost of deposition transcripts, documentary production or any other expert witnesses, or any of these items which are incurred in connection with the instant litigation?

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> " 'You are asking me the same question in different words. There is no—I have told you three or four

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times now that there is no arrangement between Firestone and McCreary.

"'As to payment—

"'As to any payment.'

"MR. MERRIAM: Now, will you go ahead with the continued answer?

"'A. Let me put it on the record. It has been a general understanding that the bulk of the expenses [18,934] of this litigation are to be paid by Firestone in view of Firestone's greater stake in the matter. The division of the costs were not a subject of agreement with McCreary beyond that general understanding, and the actual billings to McCreary have been left to Mr. Irons and Mr. McCreary and, as I stated yesterday, I deduce from the size of the bills that we are carrying the greater burden of this litigation, which I think is as it should be in view of the proportionate sizes of the two plaintiffs.'" [7]

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7. In McCreary's Reply to "Intervener Firestone's Opposition to Petition of McCreary for Leave to File Additional Material", filed in the Clerk's Office of the United States Court of Appeals for the Fourth Circuit on or about May 13, 1966, Mr. Walter J. Blenko, Jr., as attorney for McCreary, after referring to the dictaphone belt and the discussion of the fees to be charged McCreary by Mr. Irons' firm, says:

> "• • • In all prior testimony known to McCreary and its present counsel, Mr. Clark denied the existence of any agreement between Firestone and McCreary relating to participation in the action or 'as to any payment' (Trial Transcript, page 18,933)."

No reference is made to the last paragraph quoted above, or to the fact that it was a "*continued* answer." This "continued answer" clearly discloses that there *was* an understanding with McCreary as to payment of the litigation expenses.

This partial quotation, without reference to the balance of Mr. Clark's answer, is shocking to this Court. Whether it was fraud or attempted fraud upon, or contempt of, the Court of Appeals, is of course not for this Court to decide.

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(iii) on September 3, 1965, Mr. Clark testified as to a conversation with McCreary the day this suit was filed, in which McCreary was told that Firestone would bear the "bulk of the expenses." At that time the Court stated its recollection of the portion of the Clark deposition read into the record, to the effect that Firestone was bearing the larger portion of the expenses, but that Mr. Clark had made no agreement as to specific amounts or proportions. (Transcript, pages 22,266-22,270.)

(iv) On September 28, 1965, Mr. Birch was examined in open court by counsel for defendant. He testified that he had not read the McCreary deposition or Clark's testimony from the stand, and that some years ago he glanced briefly at the Clark deposition for a matter of a few minutes. He was asked specifically as to a fee bill of April 30, 1961 of the Irons firm to McCreary, he stated:

> "First, let me start by saying that I do have knowledge with respect to the manner in which the McCreary bill is computed, and it is that a charge is made to McCreary relative to the charge which is made to Firestone, that relation being pro rata, based upon their volume of production." (Transcript, pages 22,668-22,669); see also Transcript, page 22,674.)[8]

(v) On September 29, 1965, there was produced by Mr. Irons and admitted into evidence as DX 1836 a transcription of secretarial notes of a telephone conference with McCreary on March 30, 1961. The following is attributed to Mr. Irons:

> "Mr. McCreary, the thinking in this direction is that as far as the cost of the litigation is concerned with this office that you would be billed for it, but

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8. Birch was clearly in error as to dates and place of discussion with McCreary; see Transcript 22,673-22,674; 33,348-33,349.

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suppose there is a decision which is adverse. I don't know whether Mr. Beckett covered this with you or not but to the extent that you purchased your oil extended rubber from Fire-

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stone, of course Firestone would have to pay on that anyway, but you are not looking for Firestone to hold you harmless in that event with respect to rubber you purchased from them."[9]

(vi) In its oral opinion of December 13, 1965, on the October 12, 1965 superseding motion, the Court had had before it all of the foregoing, and referred to the "at least partial sharing of costs by McCreary * * *" (Transcript, page 26,994).

(vii) On April 26, 1966, before the Court had read the transcript of the dictaphone recording of May 9, 1961, or had heard the belt played, it stated:

"Well, Mr. Birch specifically testified as to the existence of an agreement, and that the agreement was that a charge is made to McCreary relative to the charge which is made to Firestone, that relation being pro rata, based upon their volume of production.

"That is clearly and flatly in the record, pages 22,668 to 22,669.

"I do not believe there has ever been any contention that there was not an agreement between Firestone and McCreary. There may be differences of opinion as to what the true arrangements are, but the testimony of Mr. Birch is flatly to the existence of

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9. Defendant suggests that the memorandum should read that "as far as the cost of the litigation is concerned with this office that you would not be billed for it." As indicated above and below, the memorandum would appear to be, and the Court finds it to be, accurate as written.

an agreement, and as to the general nature of its terms."

(viii) On April 26, 1966, the dictaphone record of May 9, 1961 was played and transcribed (Transcript, pages 33,325-33,330). In it, Birch[10] states that General is "probably trying to line up to say in the long run that McCreary can be transferred out because they are just Firestone's little patsy, and Firestone is paying the whole bill." Then the suggestion is made that "with full recognition that the agreement that was made between you and Stanley Clark is not going to, in the long run, change one little bit", that as the relative production between McCreary and Firestone was about 99 to 1, McCreary being one per cent of Firestone's total tire business, "we" would like "to formally bill you folks for one per cent of the cost of this litigation * * *" which would be done monthly, and to be paid to the Irons firm just as if "Firestone didn't even exist," bearing in mind that "after this is all over with, why, everything will come out in the wash." Birch said he did not want to "leave any stone unturned in case" General "should file an interrogatory and ask McCreary if they are paying their toll in this law suit"; so a bill would be sent for both March and April.

Birch further said that he didn't want "to put anything in the mail, and I don't want to talk about it too much, for obvious reasons."

At the conclusion of the playing of the dictaphone belt, the Court indicated (Transcript, pages 33,332-33,333) that the only matters justifying further interrogation were as to whether Birch intended to refer to a dollar amount per month, or one per cent a month; and what was meant by

10. That "Voice Number 3" was that of Mr. Birch is conceded.

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the agreement with Clark. However, no restrictions were placed on the interrogation of Birch or Clark.

On oral examination Birch testified that he called McCreary at Irons' request and told him "[T]hose things you just heard on the tape"; that he was not aware of an agreement between Clark and McCreary "relating to the case" but he "was aware of an agreement between Mr. Clark and Mr. McCreary that had to do with the payment of fees charged by our firm in a particular circumstance" (Transcript, page 33,338); that the only agreement he knew of was that Firestone would pay for the trip he took to Indiana, Pennsylvania, "[E]xcept for the one on

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the tape"; (Transcript, page 33,339); that he didn't want to put anything in the mail or talk too much since his firm's fees and their arrangement were their business only; that if Firestone won the case, he had no understanding that fees paid by McCreary would be returned to it (Transcript, page 33,340); that "win, lose or draw, McCreary was to pay, once and for all, one per cent, and that it was regardless of the outcome"[11]; that he could not recall what was meant about coming out in the wash, but thought it meant "that whether it is paid as a percentage or in a lump sum or now or next week or next year, the result will be the same"; that "formally" meant a written bill; and that while generally aware of his firm's representation of McCreary, Birch had not been intimately connected with it. (Transcript, pages 33,365-33,366.)

That same afternoon Clark (who was out of the court room during Birch's examination) was called and testified

11. The language was embodied in a question by the Court, answered in the affirmative.

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that other than that he would have thought that he rather than Irons had told McCreary that McCreary would not be held harmless, he saw nothing that struck him as incorrect in DX 1836; as to the reference to the agreement between Clark and McCreary, mentioned on the tape, he said:

> "I think that probably the agreement I had was not to have an agreement. What I thought our understanding with McCreary was was this, that we were both free agents, that Firestone was going to finance this litigation, I had the impression that McCreary would carry its share of the burden, small though that may be; that there was no obligation upon McCreary for example not to settle, McCreary always had the freedom to settle any time they pleased, for example; I also thought and still think that there was no obligation on our part to save McCreary harmless.
>
> "I think it summed up to this point, that McCreary was going to pay its share, but a very small share of the litigation, that we would of course necessarily by our size and by our determination to go ahead essentially finance it. Beyond that, there was nothing." (Transcript, page 33,399.)

that he assumed that the reason for Birch's call on May 9, 1961 was to tell McCreary what the ratio of payments was going to be; that there was no other agreement as to what would happen after the case was over, although he thought that "we would be reimbursed by an order of this Court for costs and attorneys' fees" [12] (Transcript, page 33,400); that there was no agreement with McCreary prior to May 9, 1961 that Firestone would pay all the legal bills; when again interrogated[13] as to the agreement, he said:

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12. The "wash out" testimony of Birch.
13. By Mr. Blenko, Jr.

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"The only contact I had with Mr. Creary after we had decided to sue is embodied in this memorandum. It was that telephone call which Mr. Irons and I made to Mr. McCreary on the morning prior — on the morning I guess of the day we filed the suit, and I don't recall ever having a conversation with Mr. McCreary again, certainly not on this subject at all.

"My understanding of the arrangement, if you want to call it that, whatever name you want to put to it is that McCreary was a free agent, free to settle, we did not hold McCreary harmless, McCreary came in at their own risk, and that we were certain going to pay practically all of the expenses but that McCreary was going to carry a pro-rata burden. That's been my understanding of the arrangement from the very beginning." (Transcript, page 33,409.)

The court then inquired of counsel what they desired the Court to do, stating that "if it is a ruling as to whether the tape is inconsistent with Mr. Birch's

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testimony, I would say that my present rather strong impression is that there is no substantial inconsistency between his testimony in court and the tape." (Transcript, page 33,417.)

It has been asserted by counsel for Firestone, without contradiction,[14] that during the litigation McCreary has regularly been billed for, and paid, a portion of the legal expenses.

The Court finds as a fact that from March 30, 1961 McCreary was aware that it would be billed for part of the litigation costs; that in fact it has been billed for one

14. Mr. Blenko, Jr., as counsel for McCreary, certainly had access to McCreary's accounting records, and could easily have refuted the claim if untrue.

per cent thereof; that this was a bona fide arrangement, with no agreement that in fact, ultimately, Firestone would bear all the costs or repay to McCreary any payment made by McCreary; and that this arrangement, understood by this Court on December 13, 1965, is consistent with the dictaphone recording of the telephone conversation on May 9, 1961, offered in court on April 26, 1966.

(d) The "secret" agreement.

As previously indicated, the terms of the alleged secret agreement between Firestone and McCreary have not been developed, and no proffer with respect thereto has been made. The court's finding must therefore necessarily be negative in nature. It is that there is no evidence legally sufficient to prove, or even to justify an inference as to, the existence of a secret or undisclosed agreement between Firestone and McCreary as to the conduct of this litigation, or the payment of the expenses thereof.

3. *Representations as to the effect of the joinder of McCreary.*

There appears to be at least an implication[15] that this court was misled into the belief that the joinder of McCreary might prevent transfer to Cleveland. In fact, plaintiff's counsel at the July 6, 1961 hearing stated flatly that he did not so contend; that transfer was possible. The court was fully aware of this throughout the case, as indicated in its oral opinion of December 13, 1965. (Transcript, page 26,994).

It has been suggested that the fact that McCreary was an independent party prosecuting the case at its own expense may well have been a determinative factor in

15. Defendant's Exhibit D to Memorandum in Support of Renewed Motion.

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the denial of the first motion by defendant to transfer, that is defendant's motion of April 13, 1961 to dismiss or transfer, although the record is clear that the court was fully aware that McCreary's joinder did not prevent transfer (as indicated above) and although the court was fully aware that had Firestone desired to gain a technical advantage, suit could have been brought solely by McCreary with a silent, subsurface undertaking by Firestone completely to indemnify and save harmless McCreary.[16] That the court did not consider the fact that McCreary was an independent party prosecuting this case at its own expense a factor, much less a determinative factor, militating against transfer is evidenced by the court's oral opinion of July 6, 1961 denying the first transfer motion and its memorandum of October 14, 1963, denying the second transfer motion, in neither of which is the independence of McCreary, or the sharing of

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expenses, relied upon as a reason for the denials.

While the court has endeavored to cover the major points, the above memorandum does not purport to be exhaustive. The Court has however carefully considered all the memoranda and exhibits filed by the parties, all

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16. "When the suit was filed, McCreary was a bona fide customer of Firestone as to oil-extended rubber for tread stock and camelback. As such, Firestone could have solicited McCreary to bring the suit as sole plaintiff on an undertaking by Firestone completely to indemnify and save McCreary harmless. A fortiori, the open participation by Firestone and at least partial sharing of costs by McCreary is not improper. See Wheeler v. [City and County of] Denver, 1913, 229 U.S. 342 [33 S.Ct. 842, 57 L.Ed. 1219] and see also Schnell v. [Peter] Eckrich & Sons, 1961, 365 U.S. 260 [81 S.Ct. 557, 5 L.Ed.2d 546]." (Oral opinion of December 13, 1965; Transcript, pages 26,993-26,994.)

transcript references and exhibits to which reference has been made, and the transcript of the oral arguments of counsel, upon the whole of which it makes the following general and ultimate

Findings of Fact

[2] 1. McCreary was an independent party throughout the entire period herein involved and still is an independent party.

2. McCreary agreed to and in fact did bear its proportionate share of the cost of litigation.

3. There is no evidence legally sufficient to prove, or even to justify an inference as to, the existence of a secret or undisclosed agreement between Firestone and McCreary as to the conduct of this litigation, or the payment of the expense thereof.

4. The fact that McCreary was an independent party prosecuting the case at its own expense, proportionally, was not a factor, much less a determinative factor, in the denial of the defendant's motion of April 13, 1961 to dismiss or transfer.[17]

5. No fraud, serious or otherwise, has been practiced upon the Court by the plaintiffs.

6. There has been no effort by plaintiffs to practice fraud upon the Court.

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17. It is probable that if fraud were in fact intended, it would be immaterial whether or not the court had actually been misled. Hazel-Atlas Glass Co. v. Hartford-Empire Co., 1944, 322 U.S. 238, 247, 64 S.Ct. 997, 88 L.Ed. 1250; Keystone Driller Co. v. General Excavator Corp., 1933, 290 U.S. 240, 54 S.Ct. 146, 78 L.Ed. 293.

However, because of the language of the Court of Appeals that the alleged false representations "may well have been the determining factor in the denial of the transfer motion" (363 F.2d at page 89) this Court thought it advisable to make Finding 4.

[Decision of Judge Watkins, October 17, 1966]

[264 F. Supp. 301]
Conclusions of Law

1. No fraud has been practiced upon the Court by the plaintiffs.

2. There has been no effort by plaintiffs to practice fraud upon the Court.

3. The renewed motions of April 13, 1961 to dismiss or transfer, of September 6, 1963 to transfer, and the motion for the imposition of sanctions, are each and all without merit, and should be and are denied.

EXCERPT FROM PETITION FOR REHEARING (p. 11), FILED BY GENERAL TIRE & RUBBER COMPANY WITH THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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There can be no dispute that the District Court below had the power to consider and pass on the fraud issue. See *Zdanok* v. *The Glidden Company*, 327 F. 2d 944, 952-53 (2nd Cir. 1964) and *Higgins* v. *California Prune & Apricot Growers, Inc.*, 3 F. 2d 896, 898 (2nd Cir. 1924). As Firestone stated in its brief in the District Court, "General notes, correctly, that this Court has the power to re-examine Judge Watkin's decision . . ."

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PRE-TRIAL ORDER

(Nos. C67-206 and 36,799 D.C.N.D Ohio)

(Filed March 20, 1969)

Upon consideration it is ordered that:

(1) The parties submit comprehensive briefs going to the substantive issues of the existence and extent of the alleged fraud arising out of the Baltimore case, including within their briefs discussion of all possible remedies, consequences and effects which might arise from a finding that a fraud was in fact perpetuated.

(2) Designations to the record by appendices be attached to the briefs.

(3) General Tire submit its brief by April 12, 1969.

(4) Firestone submit its brief by May 12, 1969.

(5) Oral argument, if determined to be necessary, be heard on June 9, 1969.

Since counsel for both parties have indicated willingness to rest their respective cases with matters already of record, the Court, in keeping with the spirit of the adversary system, has no present intention of calling any witnesses. However, if it is determined in the best interest of justice that witnesses should be called, both parties will be afforded the opportunity to cross-examine. No witnesses will be called unless the parties are informed by May 26, 1969.

/s/ F. J. Battisti

United States District Judge